

#onthemove

GRAMMER AG

Interim Management Statements

January to March 2020

## HIGHLIGHTS JANUARY TO MARCH 2020

- The first quarter of the new financial year was heavily impacted by the spread of the coronavirus - first in China and then in the other regions. Serious consequences for the global economy as well as the national economies are expected to emerge in the further course of the year. As things currently stand, the effects of the global COVID-19 pandemic will be particularly pronounced in the second quarter. No reliable assessment of the further course of business in the second half of 2020 is currently possible.
- After solid performance last year despite the substantial contraction in vehicle markets all around the world in the second half of 2019, the outbreak of the COVID-19 pandemic triggered further substantial declines in the Grammer Group's revenue in the first quarter.
- In response to government orders issued to address the COVID-19 pandemic, GRAMMER was forced to completely shut down its plants in China at the end of January and was only able to resume production step by step from March. However, the recovery in China was followed by shutdowns of GRAMMER's European and American plants as a result of production stops by customers in these markets.
- The GRAMMER Group's revenue dropped by 14.8 % in view of market contraction and production shutdowns, coming to EUR 454.9 million in the first quarter of 2020 (01-03 2019: EUR 534.1 million).
- In the wake of its own plant shutdowns and exceptional strains from currency-translation effects, the GRAMMER Group's EBIT dropped to EUR -2.1 million (01-03 2019: EUR 24.0 million), translating into an EBIT margin of -0.5 % (01-03 2019: 4.5 %).
- Operating EBIT, which does not include currency-translation effects of EUR 2.5 million and exceptionals such as the COVID-19 pandemic, came to EUR 0.4 million (01-03 2019: EUR 23.0 million). The operating EBIT margin reached 0.1 % (01-03 2019: 4.3 %).
- Revenue in the Automotive Division fell to EUR 324.2 million (01-03 2019: EUR 378.3 million). Operating EBIT came to EUR -7.8 million (01-03 2019: EUR 10.6 million).
- Revenue in the Commercial Vehicles Division fell to EUR 142.4 million (01-03 2019: EUR 168.5 million). Operating EBIT reached EUR 10.4 million (01-03 2019: EUR 16.8 million).
- GRAMMER took various measures at an early stage in response to the effects of the COVID-19 pandemic. These particularly entailed increased provisioning and the optimization of safety protection for employees at all sites as well as flexible offers for mobile working.
- All measures available in the short term to preserve earnings and liquidity, including use of working hour account models, increased grants of vacation leave and the swift implementation of short-time work, a reduction in variable costs and planned investments as well as a strict focus on cash flow management, were taken immediately.
- The restructuring activities already commenced in Q4 2019 were continued, accompanied by the initiation and successful implementation of measures to boost liquidity (e.g. the grant of a hybrid loan with equity character by majority shareholder Ningbo Jifeng).
- Due to the ongoing COVID-19 pandemic which is proceeding at highly disparate rates in the individual countries, the government measures taken to avert the crisis and the resultant drastic effects on the economy, a forecast of the GRAMMER Group's business performance in 2020 is currently not possible.

## KEY FIGURES GRAMMER GROUP

in EUR M	01-03 2020	01-03 2019	01-12 2019
<b>Group revenue</b>	<b>454.9</b>	<b>534.1</b>	<b>2,038.5</b>
Automotive revenue	324.2	378.3	1,479.8
Commercial Vehicles revenue	142.4	168.5	607.4
<b>Income statement</b>			
EBITDA	19.5	44.2	159.8
EBITDA margin (in %)	4.3%	8.3%	7.8%
EBIT	-2.1	24.0	74.5
EBIT margin (in %)	-0.5%	4.5%	3.7%
Operating EBIT	0.4	23.0	77.0
Operating EBIT margin (in %)	0.1%	4.3%	3.8%
Earnings before taxes	-14.1	16.7	63.6
Net profit	-9.8	11.6	43.5
<b>Statement of financial position</b>			
Total assets	1,423.1	1,499.2	1,474.4
Equity	363.4	327.0	342.2
Equity ratio (in %)	26%	22%	23%
Net financial debt	332.0	292.5	285.0
Gearing (in %)	91%	89%	83%
Capital expenditure (without M&A and financial assets)	19.5	32.4	132.8
Depreciation and amortization	21.6	20.2	85.3
<b>Employees (number, average)</b>	<b>14,709</b>	<b>14,992</b>	<b>14,779</b>
<b>Share data</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>	<b>December 31,2019</b>
Prices (Xetra closing price in EUR)	19.20	34.70	31.95
Market capitalization (in EUR m)	242.1	437.5	402.8
Basic/diluted earnings per share (in EUR)	-0.80	0.95	3.56

## GRAMMER GROUP RESULTS OF OPERATIONS

### CONDENSED INCOME STATEMENT

EUR k	Q1 2020	Q1 2019
Revenue	454.949	534.114
Cost of sales	-413.828	-469.137
<b>Gross profit</b>	<b>41.121</b>	<b>64.977</b>
Selling expenses	-9.301	-10.759
Administrative expenses	-37.369	-35.608
Other operating income	3.435	5.381
<b>Earnings before interest and taxes (EBIT)</b>	<b>-2.114</b>	<b>23.991</b>
Financial result	-12.034	-7.263
<b>Earnings before taxes</b>	<b>-14.148</b>	<b>16.728</b>
Income taxes	4.315	-5.102
<b>Net profit</b>	<b>-9.833</b>	<b>11.626</b>

- 2019, which was a generally good year, was marked by high uncertainty with respect to international trade policies and customs tariffs, Brexit and, from the middle of the year onwards, the global contraction of vehicle markets. As expected, this more muted demand continued to leave traces on the GRAMMER Group's revenue in the first month of the new year. However, the COVID-19 pandemic unexpectedly started to impact the Company's revenue dramatically from February 2020.
- Accordingly, revenue declines in the double-digit millions compared with the very strong prior-year quarters were sustained in the first quarter of 2020 due to the government-ordered plant shutdowns in China and generally muted conditions in the sell-side markets addressed by the GRAMMER Group.
- Fixed costs, which it was not possible to adjust to the same extent, thus exerted considerable strain on earnings margins.
- Additional pressure came from currency-translation effects as a result of changes in exchange rates. This is particularly reflected in the GRAMMER Group's negative financial result of EUR -12.0 million (01-03 2019: EUR -7.3 million).

**GRAMMER GROUP NET ASSETS**

## CONDENSED BALANCE SHEET GRAMMER GROUP

EUR k	March 31, 2020	December 31, 2019	Change
Non-current assets	827,133	825,623	1,510
Current assets	596,016	648,826	-52,810
<b>Total assets</b>	<b>1,423,149</b>	<b>1,474,449</b>	<b>-51,300</b>

- Cash and short-term deposits stood at EUR 110.2 million (December 31, 2019: EUR 142.7 million; March 31, 2019: EUR 151.3 million).
- Trade accounts receivable contracted by EUR 20.0 million.

EUR k	March 31, 2020	December 31, 2019	Change
Equity	363.429	342.242	21.187
Non-current liabilities	535.581	490.050	45.531
Current liabilities	524.139	642.157	-118.018
<b>Total equity and liabilities</b>	<b>1.423.149</b>	<b>1.474.449</b>	<b>-51.300</b>

- On March 30, 2020, a hybrid loan of EUR 19.1 million was granted by Ningbo Jifeng Auto Parts Co., Ltd., a member of the Ningbo Jifeng Group (the majority shareholder of GRAMMER AG). Granted for an indefinite period, the hybrid loan has a quasi-equity characteristic.
- As a result of the COVID-19 pandemic, interest rates for the measurement of retirement benefit obligations in accordance with international accounting standards have risen compared with December 31, 2019. This results in an actuarial gain from defined benefit plans, which caused equity to rise by EUR 21.8 million less deferred taxes as of March 31, 2020. Concurrently, provisions for retirement benefits and similar obligations were reduced by the same amount.
- The equity ratio was 25.5% (December 31, 2019: 23.2 %).
- A new syndicated loan contract for EUR 150.0 million (December 31, 2019: EUR 100.0 million) and for USD 80.0 million was signed for a term of five years plus two one-year renewal options in February 2020. As a result, non-current financial liabilities rose to EUR 288.8 million (December 31, 2019: EUR 220.0 million), while current financial liabilities dropped to EUR 153.4 million (December 31, 2019: EUR 207.7 million).
- Trade accounts payable declined by EUR 72.6 million.

## GRAMMER GROUP CAPITAL EXPENDITURE

EUR M	01-03 2020	01-03 2019	Change
Automotive	9.6	19.5	-50.8%
Commercial Vehicles	4.0	3.8	5.3%
Central Services	5.9	9.1	-35.2%
<b>Capital expenditure</b>	<b>19.5</b>	<b>32.4</b>	<b>-39.8%</b>

- The reduction in planned capital spending in the Automotive Division and the smaller scope of the GRAMMER campus led to a substantial decline in capital spending to EUR 19.5 million as of March 31, 2020 (01-03 2019: EUR 32.4 million).

## REVENUE BY REGION

EUR M	GRAMMER Group			Automotive Division			Commercial Vehicles Division		
	01-03 2020	01-03 2019	Change	01-03 2020	01-03 2019	Change	01-03 2020	01-03 2019	Change
EMEA	263.5	307.0	-14.1%	166.1	192.1	-13.5%	106.8	124.9	-14.5%
Americas	137.8	154.9	-11.0%	121.4	134.3	-9.6%	18.6	23.2	-19.8%
APAC	53.6	72.2	-25.6%	36.7	51.9	-29.3%	17.0	20.4	-16.7%
<b>Revenue</b>	<b>454.9</b>	<b>534.1</b>	<b>-14.8%</b>	<b>324.2</b>	<b>378.3</b>	<b>-14.3%</b>	<b>142.4</b>	<b>168.5</b>	<b>-15.5%</b>

- Group revenue for Q1 2020 came to EUR 454.9 million, thus falling EUR 79.2 million short of the same quarter in the previous year.
- APAC (Asia Pacific) was hit the hardest by the government-ordered shutdown of production plants in China in Q1 2020. Production was ramped up again step by step from March, already returning to the level seen before the outbreak of the COVID-19 pandemic in April.
- As expected, revenue declined over the previous year in EMEA (Europe, Middle East and Africa) and the Americas (North, Central and South America) due to the deterioration in market conditions and was additionally impacted by the outbreak of the COVID-19 pandemic. Many GRAMMER customers started closing their plants in both regions from mid-March 2020.

## REVENUE AND EARNINGS IN THE AUTOMOTIVE DIVISION

EUR M	01-03 2020	01-03 2019	Change
Revenue	324.2	378.3	-14.3%
EBIT	-10.2	12.3	-182.9%
EBIT margin (in %)	-3.1%	3.3%	-6.4%-points
Operating EBIT	-7.8	10.6	-173.6%
Operating EBIT margin (in %)	-2.4%	2.8%	-5.2%-points
Capital expenditure (without M&A and financial assets)	9.6	19.5	-50.8%
Employees (number, average)	10,878	10,939	-0.6%

- Revenue in the Automotive Division declined to EUR 324.2 million due to the plant shutdowns in China lasting almost two months and the contraction of 14.3 % in the global vehicle markets since the second half of 2019.
- Despite the cost-cutting measures introduced to address capacity utilization shortfalls, operating EBIT came under heavy pressure compared with the previous year.

## REVENUE AND EARNINGS IN THE COMMERCIAL VEHICLES DIVISION

EUR M	01-03 2020	01-03 2019	Change
Revenue	142.4	168.5	-15.5%
EBIT	10.3	17.2	-40.1%
EBIT margin (in %)	7.2%	10.2%	-3.0%-points
Operating EBIT	10.4	16.8	-38.1%
Operating EBIT margin (in %)	7.3%	10.0%	-2.7%-points
Capital expenditure (without M&A and financial assets)	4.0	3.8	5.3%
Employees (number, average)	3,617	3,818	-5.3%

- Revenue in the Commercial Vehicles Division fell by 15.5 % to EUR 142.4 million in the first quarter. One particular source of strain compared with the very strong prior-year quarter was the fact that demand in both OEM and retrofit business had been very high in Q1 2019.
- Customers in the Commercial Vehicles Division were not affected by the COVID-19 pandemic as severely as those in the Automotive Division in the first three months of 2020.

## OPPORTUNITIES AND RISKS

As things currently stand, the opportunities and risks which we described in detail in the Management Report of the Annual Report for the fiscal year ended December 31, 2019 continue to apply. We are very closely monitoring current and future developments regarding the COVID-19 pandemic, which include significant risks that are currently very difficult to assess. Specially established crisis management teams are analyzing the situation with respect to markets, customers and suppliers and submit specific proposals to management on an ongoing basis.

## OUTLOOK

In the press release dated March 30, 2020, the forecast for 2020 which had been published in the Annual Report for 2019 was withdrawn. The assessments and expectations contained in the Annual Report are based on assumptions and internal analyses that were true at the beginning of 2020. In view of the extremely dynamic developments and the associated uncertainties, the COVID-19 pandemic and its economic effects, it is currently not possible to make any forecast concerning the Group's performance in the further course of 2020. GRAMMER will issue a full-year forecast for 2020 as soon as this is reasonably possible.

## FORWARD-LOOKING STATEMENTS

This Interim Management Statement contains forward-looking statements based on current assumptions and estimates made by GRAMMER's management of future trends. Such statements refer to periods in the future or are characterized by terms such as "expect", "predict", "intend", "forecast", "plan", "estimate", "expect" or similar terms. Such statements are subject to risks and uncertainties which GRAMMER can neither estimate nor influence with any precision, e.g. future market conditions and the macroeconomic environment, the behavior of other market participants, the successful integration of newly acquired companies, the materialization of expected synergistic benefits and government actions. If any of these or other factors of uncertainty or imponderabilities occur or if any of the assumptions on which these statements are based prove to be incorrect, actual results could differ materially from the results expressed or implied in these statements. GRAMMER neither intends nor is under any obligation to update any forward-looking statements in the light of any changes occurring after the publication of this document.



**CONSOLIDATED STATEMENT OF INCOME**

JANUARY 1 – MARCH 31 OF THE RESPECTIVE FINANCIAL YEAR

<b>EUR K</b>	<b>01-03 2020</b>	<b>01-03 2019</b>
Revenue	454,949	534,114
Cost of sales	-413,828	-469,137
<b>Gross profit</b>	<b>41,121</b>	<b>64,977</b>
Selling expenses	-9,301	-10,759
Administrative expenses	-37,369	-35,608
Other operating income	3,435	5,381
<b>Earnings before interest and taxes (EBIT)</b>	<b>-2,114</b>	<b>23,991</b>
Financial income	358	365
Financial expenses	-4,530	-5,277
Other financial result	-7,862	-2,351
<b>Earnings before taxes</b>	<b>-14,148</b>	<b>16,728</b>
Income taxes	4,315	-5,102
<b>Net profit</b>	<b>-9,833</b>	<b>11,626</b>
Of which attributable to:		
Shareholders of the parent company	-9,770	11,673
Non-controlling interests	-63	-47
<b>Net profit</b>	<b>-9,833</b>	<b>11,626</b>
<b>Earnings per share</b>		
Basic/diluted earnings per share in EUR	-0.80	0.95

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

JANUARY 1 – MARCH 31 OF THE RESPECTIVE FINANCIAL YEAR

EUR K	01-03 2020	01-03 2019
<b>Net profit</b>	<b>-9,833</b>	<b>11,626</b>
<b>Amounts not recycled to profit and loss in the future periods</b>		
<b>Actuarial gains/losses (-) under defined benefit plans</b>		
Gains/losses (-) arising in the current period	21,772	-10,566
Tax expenses (-)/tax income	-6,358	3,085
<b>Actuarial gains/losses (-) under defined benefit plans (after tax)</b>	<b>15,414</b>	<b>-7,481</b>
<b>Total amount not recycled to profit and loss in future periods</b>	<b>15,414</b>	<b>-7,481</b>
<b>Amounts recycled to profit and loss in future periods under certain conditions</b>		
<b>Gains/losses (-) from currency translation of foreign subsidiaries</b>		
Gains/losses (-) arising in the current period	12,199	6,483
<b>Gains/losses (-) from currency translation of foreign subsidiaries (after tax)</b>	<b>12,199</b>	<b>6,483</b>
<b>Gains/losses (-) from cash flow hedges</b>		
Gains/losses (-) arising in the current period	-3,627	67
Plus/less (-) amounts recycled to the income statement through profit and loss	-347	-58
Tax expenses (-)/tax income	1,087	1
<b>Gains/losses (-) from cash flow hedges (after tax)</b>	<b>-2,887</b>	<b>10</b>
<b>Gains/losses (-) from net investments in foreign operations</b>		
Gains/losses (-) arising in the current period	-18,494	1,874
Tax expenses (-)/tax income	5,640	-397
<b>Gains/losses (-) from net investments in foreign operations (after tax)</b>	<b>-12,854</b>	<b>1,477</b>
<b>Total amounts recycled to profit and loss in future periods under certain conditions</b>	<b>-3,542</b>	<b>7,970</b>
<b>Other comprehensive income</b>	<b>11,872</b>	<b>489</b>
<b>Total comprehensive income (after tax)</b>	<b>2,039</b>	<b>12,115</b>
Of which attributable to:		
Shareholders of the parent company	2,105	12,162
Non-controlling interests	-66	-47

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS OF MARCH 31, 2020 AND DECEMBER 31, 2019

<b>ASSETS</b>		
<b>EUR K</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Property, plant and equipment	454,594	463,305
Intangible assets	205,645	205,604
Investments measured at equity	619	611
Other financial assets	9,390	9,421
Deferred tax assets	51,382	44,900
Other assets	28,156	31,022
Contract assets	77,347	70,760
<b>Non-current assets</b>	<b>827,133</b>	<b>825,623</b>
Inventories	196,803	191,879
Current trade accounts receivable	186,802	206,821
Other current financial assets	1,936	3,935
Current income tax receivables	2,036	5,455
Cash and short-term deposits	110,203	142,651
Other current assets	36,074	37,314
Current contract assets	62,162	60,771
<b>Current assets</b>	<b>596,016</b>	<b>648,826</b>
<b>Total assets</b>	<b>1,423,149</b>	<b>1,474,449</b>

<b>EQUITY AND LIABILITIES</b>		
<b>EUR K</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Subscribed capital	32,274	32,274
Capital reserve	129,796	129,796
Own shares	-7,441	-7,441
Retained earnings	253,638	263,408
Cumulative other comprehensive income	-63,917	-75,792
<b>Equity attributable to shareholders of the parent company</b>	<b>344,350</b>	<b>342,245</b>
Hybrid loan	19,148	0
Non-controlling interests	-69	-3
<b>Equity</b>	<b>363,429</b>	<b>342,242</b>
Non-current financial liabilities	288,754	219,976
Trade accounts payable	1,083	1,399
Other financial liabilities	61,720	64,375
Other liabilities	1,220	1,220
Retirement benefits and similar obligations	132,967	154,176
Deferred tax liabilities	47,494	46,298
Contract liabilities	2,343	2,606
<b>Non-current liabilities</b>	<b>535,581</b>	<b>490,050</b>
Current liabilities	153,431	207,735
Current trade accounts payable	236,417	309,000
Other current financial liabilities	20,290	20,524
Other current liabilities	85,459	73,003
Current income tax liabilities	3,867	7,331
Provisions	23,580	23,394
Current contract liabilities	1,095	1,170
<b>Current liabilities</b>	<b>524,139</b>	<b>642,157</b>
<b>Total liabilities</b>	<b>1,059,720</b>	<b>1,132,207</b>
<b>Total equity and liabilities</b>	<b>1,423,149</b>	<b>1,474,449</b>

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